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INTERSTATE COMMERCE COMMISSION

[CS&M Ref. 2044-898]

LEASE OF RAILROAD EQUIPMENT

Dated as of March 15, 1985

between

CONSOLIDATED RAIL CORPORATION

and

THE CONNECTICUT BANK AND TRUST COMPANY,
NATIONAL ASSOCIATION,

as Trustee Under a Trust Agreement

Certain of the rights and interests of the Lessor under this Lease are subject to a security interest in favor of Mercantile-Safe Deposit and Trust Company, as Agent for certain institutional investors. The original of this Lease is held by said Agent.

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* This Table of Contents has been included in this document for convenience only and does not form a part of or affect any construction or interpretation of this document.

LEASE OF RAILROAD EQUIPMENT dated as of March 15, 1985, between CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not individually but solely as Trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with Progress Leasing Corporation (the "Beneficiary").

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with General Electric Company (the "Builder"), wherein the Builder has agreed to manufacture, conditionally sell and deliver to the Lessor the units of railroad equipment described in Schedule A hereto (the "Equipment"); and

WHEREAS the Builder, under an Agreement and Assignment dated as of the date hereof (the "CSA Assignment"), is assigning its interest in the CSA to Mercantile-Safe Deposit and Trust Company acting as Agent (hereinafter, together with its successors and assigns, as hereinafter defined, called the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor, the Beneficiary, General Electric Company (the "Guarantor"), the Vendor and certain institutional investors (hereinafter called, together with their successors and assigns, the "Investors"); and

WHEREAS the Lessee desires to lease such number of units of Equipment as are delivered and accepted and settled for under the CSA (the "Units") at the rentals and for the terms and upon the conditions hereinafter provided; and

WHEREAS the parties contemplate that the Lessor will assign for security purposes certain of its rights in this Lease to the Vendor by an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment"), and the Lessee will consent thereto by a Consent and Agreement (the "Consent");

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

Section 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or additional rent, or setoff against or recoupment or reduction of rent or additional rent, including, but not limited to, abatements, setoffs, reductions or recoupments due or alleged to be due by reason of and past, present or future claims or counter-claims of the Lessee against the Lessor under this Lease or the CSA or against the Beneficiary, the Builder or the Vendor or otherwise; provided, however, that nothing in this Section 1 shall be deemed to impair the Lessee's right to assert and sue upon such claims in separate actions. The Lessee's obligations hereunder, including its obligations to pay all rentals, additional rentals and other amounts hereunder, shall be absolute and unconditional under any and all circumstances, and, except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. Anything to the contrary notwithstanding, so long as no Event of Default exists hereunder, or event which with the lapse of time or the giving of notice, or both, would constitute an Event of Default exists hereunder, if the Lessor, the Vendor or the Beneficiary or anyone claiming through any of them shall interfere with the Lessee's right to possession and use of any Unit in accordance with the terms of this Lease, the Lessee's obligation to pay rent with respect to such Unit hereunder shall abate for so long as such interference continues; provided, however, that an authorized officer of the Lessee shall have given 10 days prior written notice thereof to the Lessor in sufficient detail to identify such Unit and the source, nature and location of such interference, it being

understood that such prior notice is of the essence of this Lease and that an abatement of rent by the Lessee without such prior notice will constitute an Event of Default under Section 10(A) after ten business days. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

Section 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the CSA. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit, and the Lessee shall timely execute and deliver to the Lessor a certificate of acceptance (the "Certificate of Acceptance") in the form annexed hereto as Schedule C, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any Unit of Equipment after December 30, 1985, shall be null and void and ineffective to subject such Unit to this Lease or to constitute acceptance thereof on behalf of the Lessor for any purpose whatsoever. The Lessee will give at least five business days prior written notice to the Lessor, the Beneficiary and the Vendor of the First Delivery Date (as defined in the Participation Agreement) and of each Closing Date with the Builder under the CSA.

Section 3. Rentals.

(a) Basic Rent. The Lessee agrees to pay to the Lessor, as basic rental (the "Basic Rent") for each Unit during the Basic Term, 30 consecutive semiannual payments in arrears commencing six months from January 2, 1986 (said January 2, 1986, date being hereinafter called the "Basic Rent Commencement Date" and each such subsequent semiannual

date being hereinafter called a "Rental Payment Date"). The Basic Rent payable on each Rental Payment Date for each Unit shall be in an amount equal to 4.910% of the Purchase Price (as defined in the CSA) of each Unit leased hereunder.

(b) Interim Rent. The Lessee agrees to pay to the Lessor, as interim rental for each Settled Unit (as defined in Item 2 of Annex A to the CSA) on January 2, 1986, an amount equal to the product of (i) the number of calendar days from, but not including, the date of the Certificate of Acceptance of such Settled Unit to, and including, the Basic Rent Commencement Date, and (ii) the Basic Rent divided by one hundred and eighty (the "Interim Rent").

(c) If any one or more of the changes, events and conditions described in this Section 3(c) should occur, the rental payments specified in Sections 3(a) and 3(b) hereof, and the applicable percentages of Purchase Price specified in Schedule B hereto for the determination of Casualty Values, shall be adjusted, either upward or downward, to such rental payments and percentages of Purchase Price as, in the reasonable opinion of the Beneficiary, shall be required in order to preserve for the Beneficiary the same Net Economic Return (as defined in the Indemnity Agreement referred to in the Participation Agreement) that the Beneficiary expected to realize in respect of the transactions contemplated by this Lease at the time of the execution hereof; and, in each such case, the Lessor and the Lessee shall enter into an appropriate supplement to this Lease evidencing such adjustments. Said changes, events and conditions are as follows:

(i) Either (x) any date on which Units are delivered under the CSA and accepted under this Lease or (y) the number of Units delivered and accepted on any such date differs from the estimated delivery dates and estimated quantities of Units set forth in Schedule D hereto; and

(ii) The Units are settled for under the CSA on dates, or in quantities of Units, other than the estimated settlement dates, and the estimated quantities of Units, set forth in Schedule D hereto.

It is understood that no downward adjustment shall be made pursuant to this Section 3(c) if such downward adjustment would result in the "income and proceeds from the Equipment" (as defined in the CSA) being insufficient to pay the CSA

Indebtedness, the interest and the premium, if any, payable thereon.

If any of the Rental Payment Dates or the Basic Rent Commencement Date is not a business day the rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, Philadelphia, Pennsylvania, or Baltimore, Maryland, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this Section 3 and in Section 7 hereof, but excluding all payments not assigned to the Vendor pursuant to the Lease Assignment, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the CSA, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Vendor or other appropriate recipient by 12:00 Noon, New York time, on the date such payment is due.

Section 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of Sections 7 and 10 hereof, shall terminate on the fifteenth anniversary of the Basic Rent Commencement Date (the "Basic Term"). The obligations of the Lessee and the Lessor hereunder (including, but not limited to, the obligations under Sections 1, 3, 6, 7, 9, 14 and 16 hereof) shall survive the expiration or termination of the term of this Lease and the full payment of all amounts payable under this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of

the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease (or rescind its termination), all as provided therein; provided, however, that, so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled (without regard to acts of misappropriation by its own employees) to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the right of possession, use and assignment provided under Section 12 hereof.

Section 5. Identification Marks. The Lessee will cause each Unit to be numbered with the identification number set forth in Schedule A hereto, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Ownership subject to a Security Agreement filed with the Interstate Commerce Commission," with appropriate changes thereto from time to time as may be required by law or required in the opinion of the Vendor and the Lessor, in order to protect the Lessor's title and the Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed and deposited, and that no other filing, deposit or giving of notice with or to any Federal, District of Columbia, state or local government or agency thereof is necessary to protect the rights of the Vendor and the Lessor in such Units.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Units may be lettered with

the names or initials or other insignia customarily used by the Lessee or its affiliates.

Section 6. General Tax Indemnity.

(a) Indemnity. The Lessee agrees to pay, and to indemnify and hold harmless the Lessor (both individually and in its trust capacity), the Beneficiary, the Vendor and the Investors and their respective successors and assigns, agents and servants (the "Indemnified Persons") on an after-tax basis, from all taxes, assessments, fees and charges together with any penalties, fines, additions to tax or interest thereon, however imposed, whether levied or imposed upon any Indemnified Person by any Federal, state, District of Columbia or local government or governmental subdivision in the United States of America or by any foreign country or subdivision or taxing authority thereof, upon or with respect to, any Unit; the purchase, ownership, delivery, leasing, re-leasing, subleasing, possession, use, operation, maintenance, repair, condition, transfer of title, return or other disposition thereof; the indebtedness with respect thereto; the rentals, receipts or earnings arising therefrom; or the Documents (as defined in the Participation Agreement) or any document referred to herein or therein or any of the transactions contemplated hereby or thereby (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed hereafter referred to as "Taxes"); excluding, however: (i) United States Federal income taxes and any state or District of Columbia or local net income taxes or other similar taxes measured by net income or net earnings imposed by the jurisdiction in which any Indemnified Person maintains its principal place of business or is otherwise subject to income or franchise taxation by reason of other transactions; and (ii) any claim for penalties, fines or interest resulting from an act, omission or misrepresentation of such Indemnified Person or anyone acting under, through, or on behalf of such Indemnified Person (other than the Lessee pursuant to this Section 6).

(b) Payment. All amounts payable to any Indemnified Person pursuant to this Section 6 shall be paid promptly in immediately available funds and in any event within 15 days after receipt by the Lessee of written demand therefor from such Indemnified Person requesting reimbursement or indemnification for any Taxes, on the basis that such Indemnified Person has paid or within 15 days expects to pay such amounts.

(c) Contest. If any proceeding (including the written claim or threat of such proceeding) is commenced against any Indemnified Person for any Taxes, such Indemnified Person shall promptly notify the Lessee. Each Indemnified Person agrees to confer with the Lessee, if so requested, and agrees to take such action in connection with contesting any such proceeding as the Lessee shall reasonably request; provided, however, that:

(i) within 30 days after notice by such Indemnified Person to the Lessee of such proceeding the Lessee shall request that it be contested;

(ii) such Indemnified Person, at its sole option, may forego any and all administrative appeals, proceedings, hearings and conferences with any applicable agency with respect to any such claim, accept the findings of such agency or otherwise terminate any audit or other administrative proceedings and may, at its sole option, either pay the Taxes and sue for a refund in such court as such Indemnified Person shall elect, or contest the proceeding in any appropriate forum; provided, however, that the Lessee shall have no obligation to indemnify such Indemnified Person for any such Taxes, if as a result of such Indemnified Person's foregoing of any such administrative appeals, proceedings, hearings or conferences, such Indemnified Person shall lose the right to contest the merits of such imposition or levies; and

(iii) prior to taking such action, the Lessee at its expense shall furnish such Indemnified Person in a timely manner with an opinion of independent tax counsel satisfactory to such Indemnified Person to the effect that there exists a reasonable likelihood of such Indemnified Person's prevailing on the merits in the contest of such proceeding; it being understood, however, that in no event shall such Indemnified Person be required to commence any proceeding pursuant to this paragraph (c) unless the Lessee shall have provided such Indemnified Person with sufficient funds on an interest-free basis to pay such Taxes as are required to be paid so to proceed.

(d) Costs of Contest. The Lessee shall indemnify such Indemnified Person in a manner satisfactory to such Indemnified Person for any liability or loss which such Indemnified Person may incur from time to time as a result

of participating in any proceeding described in paragraph (c) of this Section 6. The indemnification shall be an amount which, on an after-tax basis, shall be equal to all costs and expenses which such Indemnified Person may incur from time to time in connection with any such proceeding or any appeal thereof, including, without limitation, reasonable attorneys' and accountants' fees and disbursements, and the amount of any interest, tax or penalty which may ultimately be due and payable as a result of any such proceeding. Such amounts shall be payable within 15 days after the presentation to the Lessee of appropriate documentation in reasonable detail of such costs, expenses, interest, taxes, or penalties and the demand for payment thereof.

(e) Refund. If the Indemnified Person shall obtain a refund of all or any part of such Taxes paid by the Lessee or with the Lessee's advance of funds, such Indemnified Person shall pay to the Lessee the amount of such refund, subject to the Lessee making the indemnification in paragraph (d) of this Section 6. If in addition to such a refund the Indemnified Person shall receive an amount representing interest on the amount of such refund, the Lessee shall be paid that portion of such interest which is fairly attributable to Taxes paid by the Lessee prior to the receipt of such refund or with an advance provided by the Lessee.

(f) Reports. In case any report or return is required to be made relating to any Taxes, the Lessee will, at its own expense, make and timely file such reports and returns where permitted to do so under applicable rules and regulations (the interest of each Indemnified Person in the Units to be shown in a manner satisfactory to such Indemnified Person) or, where not so permitted, notify such Indemnified Person of such requirement and at the Lessee's expense prepare and deliver such reports to such Indemnified Person within a reasonable time prior to the time such reports are to be filed. Any expenses incurred by such Indemnified Person with respect to the submission or execution of any such report or return, or the filing or recording thereof, shall be reimbursed to such Indemnified Person by the Lessee in the manner provided in paragraph (d) of this Section 6. Each Indemnified Person agrees to notify the Lessee of any reporting or return requirements of which it is aware in the ordinary course of its principal business (other than reports or returns required in the railroad industry or for property or sale and use taxes) and to provide the Lessee, in a timely manner, all information in

the possession of such Indemnified Person which is reasonably required for the interpretation and filing of such report or return.

All the obligations of the Lessee and any Indemnified Person under this Section 6 shall survive and continue, notwithstanding payment of all amounts under the CSA and the termination of this Lease, but only with respect to periods included in the term of this Lease. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee or any subsidiary or affiliated corporation of the Lessee of the payment of any installments of principal or interest payable under the CSA, or a guarantee of any residual value of the Units following the expiration of the term hereof as such term may or may not be renewed.

Section 7. Maintenance; Casualty Occurrences; Insurance. The Lessee, at its own expense and in a manner no less thorough and complete than is the prudent industry standard for Class I line-haul railroads, will maintain, service and adhere to a preventive maintenance schedule with respect to each Unit which will include testing, repair and overhaul so that each Unit will remain (a) in as good operating condition as when delivered (ordinary wear and tear excepted), (b) in compliance with any and all applicable laws and regulations and (c) suitable for immediate purchase or lease and immediate regular use in main line freight service by a Class I line-haul railroad (not then a debtor in any insolvency, bankruptcy or reorganization proceedings). In no event shall any Unit be maintained or serviced to a lesser standard of maintenance or service, or on a basis less frequent, than the maintenance standard or maintenance or service scheduling basis, employed as of any given time during this Lease by the Lessee for any similar equipment owned or leased by it at such given time.

In the event that any Unit shall be or become lost, stolen, destroyed or irreparably damaged, or in the opinion of the Lessee worn out from any cause whatsoever, permanently returned to the Builder pursuant to any patent indemnity provision of the CSA, or taken or requisitioned by condemnation or otherwise by the United States Government or by any other government or governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days (such occurrences being hereinafter called "Casualty Occurrences"), prior to the return of such Unit in the manner set forth in Section 14 hereof, the Lessee shall promptly (but in any event within 60 days after such Casualty Occurrence) and fully notify the Lessor, the

Beneficiary and the Vendor with respect thereto. By the later of: (i) the Rental Payment Date next succeeding such event and (ii) the 90th day following such event (provided any such loss, return, taking or requisition shall have continued for at least 90 consecutive days) the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit then due and payable or accrued to such date (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the Rental Payment Date on or next succeeding the date of such Casualty Occurrence in accordance with Schedule B hereto referred to below, together with, if such payment is made pursuant to clause (ii) above, interest on the Casualty Value payment from the Rental Payment Date preceding such 90th day to such 90th day, at a rate equal to the higher of 12-1/8% (the "Debt Rate") or the "prime" rate of interest as announced from time to time by Morgan Guaranty Trust Company of New York. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or permanent return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis, and the Lessee may be a purchaser of such Unit (unless such Unit is declared worn out by the Lessee) and shall notify the Lessor prior to any such purchase by the Lessee. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit permanently returned to the Builder pursuant to any patent indemnity provision of the CSA in an amount equal to any patent indemnity payment in respect of such Unit made by the Builder to the Lessor under the CSA.

The Casualty Value of each Unit as of any Rental Payment Date shall be an amount for that Unit calculated as set forth in Schedule B hereto.

Whenever any Unit shall suffer a Casualty Occurrence after the final payment of rent in respect thereof is due pursuant to Section 3 hereof and before such Unit shall have been returned in the manner provided in Section 14 hereof, the Lessee shall promptly (as provided above) and fully notify the Lessor with respect thereto and, except as provided in Section 14 hereof, pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to the Casualty Value for such Unit on the last Rental Payment Date. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit or return to the Builder of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any such Unit suffering a Casualty Occurrence, or any component thereof, at the best price obtainable on an "as is, where is" basis, and the Lessee may be a purchaser of such Unit (unless such Unit is declared worn out by the Lessee) and shall notify the Lessor prior to any such purchase by the Lessee. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit and shall pay any excess to the Lessor.

In the event of the requisition (other than a requisition which constitutes a Casualty Occurrence) for use by the United States Government or by any other government or governmental entity (hereinafter collectively called the "Government") of any Unit during the term of this Lease, all of the Lessee's obligations (including without limitation the obligation to pay rent) under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease, the Lessee shall be obligated to return such Unit to the Lessor pursuant to Section 11 or 14 thereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease, but the Lessee shall in all other respects comply with the provision of said Section 11 or 14, as the case may be, with respect to such Unit except however, if such Unit shall be

destroyed or irreparably damaged, or in the opinion of the Lessee worn out as a result of any requisition that continues to the end of the Basic Term, the Lessee shall declare a Casualty Occurrence. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease shall be paid over to, or retained by, the Lessor.

Except as hereinabove in this Section 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of all Units to the Lessor, at its own expense, cause to be carried and maintained casualty insurance and public liability insurance in respect of the Units at the time subject hereto, against such risks, in such amounts and on such terms and conditions as are satisfactory to the Lessor and the Vendor; provided, however, that the Lessor and the Vendor will be reasonable in determining such terms and conditions and, in any event, such coverage shall be comparable in amounts and against risks customarily insured against by the Lessee in respect of similar equipment owned or leased by it, but in no event shall such coverage be for amounts or against risks less than the prudent industry standard for Class I line-haul railroads. All policies with respect to such insurance shall provide for payments to the Lessor (both in its individual and trust capacity), the Beneficiary and the Vendor as additional named insureds or loss payees, as their interests may appear, shall provide for at least 30 days' prior written notice by the insurance carrier to the Lessor, the Beneficiary and the Vendor in the event of cancellation, expiration or amendment (and the Lessee shall provide 30 days' prior written notice to the Lessor, the Beneficiary and the Vendor in any such event), shall include waivers by the insurer of all claims for premiums against the Lessor, the Beneficiary and the Vendor, and shall provide that losses are payable notwithstanding, among other things, any act of negligence of the Lessee, the Lessor, the Beneficiary or the Vendor, more hazardous use or occupation of the Units than that permitted by such

policies, any breach or violation by the Lessee, the Lessor, the Beneficiary or the Vendor of any warranty, declaration, condition or other provision contained in any such policy, or foreclosure, notice of sale or any other proceeding in respect of the Units, or any change in the title to or ownership of any of the Units. Each such insurance policy shall expressly provide that all of the provisions thereof except the limits of liability (which shall be applicable to all insureds as a group) and liability for premiums (which shall be solely a liability of the Lessee) shall operate in the same manner as if they were a separate policy covering each insured and shall be primary without right of contribution from any insurance carried by the Lessor, the Beneficiary or the Vendor. The Lessee shall not later than the First Delivery Date as defined in the Participation Agreement and not later than June 15th of each year thereafter, furnish to the Lessor, the Beneficiary and the Vendor a certificate of an independent insurance broker acceptable to the Lessor and the Vendor evidencing the maintenance of the insurance required hereunder. The Lessee shall, not later than 15 days prior to the expiration date of any of its insurance policy or policies required to be carried and maintained with respect to the Units under this Section 7, furnish to the Lessor, the Beneficiary and the Vendor a certificate evidencing renewal of such policy or policies. In the event that the Lessee fails to renew such policy or policies on the expiration date of any of its policy or policies required to be carried or maintained with respect to the Units under this Section 7, the Lessee shall furnish to the Lessor, the Beneficiary and the Vendor a prompt telephonic notice thereof (promptly confirmed in writing). In the event that the Lessee shall fail to maintain insurance as herein provided, the Lessor may at its option provide such insurance and, in such event, the Lessee shall, upon demand from time to time, reimburse the Lessor for the cost thereof together with interest on the amount of such cost from the date of payment thereof calculated as provided in Section 17 hereof. If the Lessor shall receive any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee's having made payment of the Casualty Value in respect of such Unit and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, pay any such insurance proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty

Value paid by the Lessee with respect to such Unit and only if the insurance policy has been maintained by the Lessee any balance of such insurance proceeds shall be paid to the Lessee; (provided, however, if the Lessee failed to maintain such insurance policy, any balance of such insurance proceeds shall remain the property of the Lessor), and any balance of such condemnation payments shall remain the property of the Lessor (except to the extent such balance includes a pro rata share of the proceeds with respect to a casualty value of any readily removable property of the Lessee). All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing. Any amounts paid or payable to the Lessor under the foregoing insurance shall not be reduced on account of any amount which may be paid or payable to the Lessor by reason of claims made under any other policies of insurance under which the Lessor is a beneficiary or claimant. Notwithstanding the foregoing, the Lessor shall in no event be obligated to participate in the funding of any self insurance program of the Lessee. The Lessor and the Beneficiary shall each have the right to carry insurance on the Units for their own benefit; provided that such insurance is carried at the expense of a person other than the Lessee.

Section 8. Reports. On or before April 30 in each year, commencing with the calendar year 1986, the Lessee will furnish to the Lessor and the Vendor a certificate signed by the Chief Mechanical Officer of the Lessee (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the CSA, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending a determination of whether a Casualty Occurrence has occurred or pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by Section 5 hereof have been preserved or replaced. The Lessor, at its sole expense, shall have the

right by its agents to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

The Lessee shall promptly notify the Lessor, the Beneficiary and the Vendor of any occurrence of an Event of Default or other event which after notice or lapse of time or both would become an Event of Default, specifying such Event of Default and all such events and the nature and status thereof.

Section 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. NEITHER THE LESSOR IN ITS INDIVIDUAL CAPACITY OR AS TRUSTEE, NOR THE BENEFICIARY, THE AGENT OR ANY INVESTOR MAKES, HAS MADE OR SHALL BE DEEMED TO MAKE OR HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, VALUE, CONDITION, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE OF THE UNITS OR ANY PART THEREOF, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK, OR COPYRIGHT, AS TO THE ABSENCE OF ANY OBLIGATION BASED ON STRICT LIABILITY IN TORT, OR ANY REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNITS OR ANY PART THEREOF, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder, including but not limited to claims and rights under Article 13 of the CSA; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. On each Closing Date under the CSA the Lessor will cause to be delivered to the Lessee, upon receipt thereof from the Builder, a bill or bills of sale from the Builder warranting to the Lessee, the Vendee, the Vendor and the Beneficiary that, at the time of delivery of the units then being settled for under the CSA, the Builder had legal title to such units and good and lawful right to sell such units and that such units were then free of all claims, liens, security interests and other encumbrances of any nature except only the rights of the Vendee under the CSA and the rights of the Lessee under this Lease, and covenanting to defend the title to such units against the demands of all persons whomsoever

based on claims originating prior to the delivery of such units by the Builder under the CSA. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, subleasing, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, at all times to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads, if applicable, and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of this Lease or any renewal thereof, (i) such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense (any such additions which are readily removable without material damage to the Units shall become the property of the Lessee if their removal would not adversely and materially affect the value of the Units and their installation was required by law for limited special use and not general operation) or (ii) such laws or rules require disposal, removal and dismantlement of or stripping any part or parts of the Equipment from the Equipment, the Lessee promptly will give the Lessor, the Vendor and the Beneficiary written notice to such effect in reasonable detail and will set forth in detail a reasonable course of action, determined by the Lessee in good faith and according to the Lessee's normal

business practice, for such disposal, removal and dismantlement of or stripping such part or parts of the Equipment; and the Lessee shall not dispose of, remove, dismantle or strip any such part or parts of the Equipment without the written consent of the Lessor, the Vendor and the Beneficiary, which consent shall not be unreasonably withheld; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor, the Beneficiary or the Vendor, adversely affect the property or rights of the Lessor, the Beneficiary or the Vendor under this Lease or under the CSA. The Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to the Units during the term of this Lease as are readily removable without causing material damage to the Units and do not adversely and materially affect the value of the Units. The additions, modifications and improvements made by the Lessee under the preceding sentence shall be owned by the Lessee, except to the extent such additions, modifications or improvements are described in the following sentence. Any and all parts installed on and additions and replacements made to any Unit (i) which are not readily removable without causing material damage to such Unit and were installed or were added to such Unit in contravention of the provisions contained hereinabove, (ii) the cost of which is included in the Purchase Price of such Unit, (iii) in the course of ordinary maintenance of the Units or (iv) which are required for the operation or use of such Unit by the interchange rules of the Association of American Railroads or by the regulations of the Interstate Commerce Commission, the United States Department of Transportation or any other regulatory body, shall constitute accession to such Unit and ownership thereof free from any lien, charge, security interest or encumbrance (except for additions required by it for limited special use and not general operation which are readily removable without causing material damage to the Units and without adversely and materially affecting the value of the Units) shall immediately be vested in the Lessor.

The Lessee agrees to indemnify, protect and hold harmless each Indemnified Person from and against all losses, damages, injuries, liabilities, claims (including without limitation claims for strict liability in tort, but excluding all losses, damages, injuries, liabilities due to, and any claims for willful misconduct or gross negligence of such Indemnified Person) and demand whatsoever, regardless of the cause thereof, and expenses in connection therewith,

including, but not limited to, counsel fees and expenses, patent, trademark and copyright liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of or the occurrence of a default, an event of default or an Event of Default under this Lease or any sublease entered into pursuant to Section 12 hereunder, the ownership of any Unit, the manufacture, ordering, acquisition, use, operation, condition, purchase, sublease, delivery, acceptance, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise expressly provided in Section 14 of this Lease. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the expiration or termination of the term of this Lease.

Except as otherwise expressly provided in Section 14, the Lessee shall bear the responsibility and risk for, and shall not be released from its obligation hereunder in the event of, any damage to or the destruction or loss of any or all of the Units of Equipment. The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required filing date (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns except as provided in Section 6(f) hereof) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of, or the interest of the Vendor in, the Units, or the leasing thereof to the Lessee.

The indemnities contained in this Section 9 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnified Person. None of the indemnities in this Section 9 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee, the Lessor or the Vendor therefor from or under any Indemnified Person, whether because of any claim paid or defense provided for the benefit thereof or otherwise. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any installments of principal or interest payable under the CSA or a guarantee of the residual value of the Equipment.

Section 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

(A) default shall be made in payment of any amount provided for in Section 3 or 7 hereof, and such default shall continue for 10 business days;

(B) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any portion thereof;

(C) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Consent or in the Participation Agreement and such default shall continue for 30 days after the earlier of (i) written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied and (ii) the date on which such default shall first become known to any officer of the Lessee;

(D) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees within 60 days after such petition shall have been filed and otherwise in accordance with the provision of 11 U.S.C. § 1168, or any successor provision as the same may hereafter be amended; or

(E) any other proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of

the Lessee hereunder under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceeding shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all such obligations shall not have been and shall not continue to have been duly assumed in writing pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceeding shall have been commenced;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions either at law or in equity to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of Federal, state and local income tax benefits to which the Lessor would otherwise be entitled under this Lease or the Indemnity Agreement; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents, subject to compliance with all mandatory requirements of law, enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same, free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such

action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may then be due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) including but not limited to any amount due the Lessor pursuant to Section 6 and Section 16; provided, however, that the Lessor shall not be relieved of its obligation under Section 6(c) or Section 16 except as specifically provided therein, and also to recover forthwith from the Lessee as damage for loss of the bargain and not as a penalty whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 5% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated or (y) an amount equal to the excess, if any, of the Casualty Value as of the Rental Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clause (x) and (y) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Rental Payment Date on or next preceding the date of termination, over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. The Lessee hereby waives any and all claims against the Lessor and the Vendor and their agent or agents for damages of whatever nature in connection with any retaking of any Unit in any reasonable manner. The Lessor and the Lessee agree that the Lessor shall be entitled to all rights (such rights being fundamental to the willingness of the Lessor to enter into this Lease) provided for in § 1168 of the Bankruptcy Act or any comparable provision of any amendment thereto, or of any other bankruptcy act, so that the Lessor shall have the right to take possession of the Units upon an Event of Default under this Lease regardless of whether the Lessee is in reorganization.

No failure by the Lessor to exercise, and no delay by the Lessor in exercising, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege by the Lessor preclude any other or future exercise thereof, or the exercise of any other right, power or privilege.

Section 11. Return of Units Upon Default. If this Lease shall terminate pursuant to Section 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the condition required by the first paragraph of Section 7 hereof. For the purpose of delivering possession, the Lessee shall:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged or which may have possession thereof to return the Unit or Units) place such Units upon storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor. The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenant of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own expense, maintain and keep the Equipment in the condition required by the first paragraph of Section 7 hereof and will permit and cooperate with the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which \$353 for each such day exceeds the actual earnings received by the Lessor with respect to such Unit for each such day.

Without in any way limiting the foregoing obligations of the Lessee under this Section 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of

the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

Section 12. Assignment; Possession and Use. So long as no Event of Default exists hereunder, any rights arising under this Lease shall not be assignable in whole or in part by the Lessor or any assignee thereof without the written consent of the Lessee, which consent shall not be unreasonably withheld; provided, however, that the Lessee's consent shall not be required for an assignment to a successor trustee appointed pursuant to the Trust Agreement or an affiliated company of either Florida Progress Corporation ("FPC") or Xerox Credit Corporation ("XCC") (the term "affiliate" for the purposes of this sentence means any corporation which is a member of the "affiliated group" (as defined in Section 1504 of the Internal Revenue Code of 1954, as amended) which files a consolidated tax return together with FPC or XCC, as the case may be). Upon the written notice by the Lessor or any assignee thereof, to the Lessee of the request for assignment, the Lessee will have 10 business days to respond to such request; provided, however, that no response within 10 business days shall be deemed to be approval. If the Lessee will not permit such assignment, the Lessee shall provide the Lessor with a written statement describing in reasonable detail the reasons for such denial. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's successors and assigns. The Lessee hereby consents to the assignment of this Lease pursuant to the Lease Assignment.

So long as no Event of Default exists hereunder, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and, without the prior written consent of the Lessor, the Lessee may sublease the Units to, or permit their use by, a user incorporated in the United States of America (or any State thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or by a railroad company or companies incorporated in the United States of America (or any State thereof or the District of Columbia), or over which the Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of

this Lease; provided, however, that the Lessor's consent, not to be unreasonably withheld, must be obtained for any sublease that is for a term longer than six months; provided, further, however, that the Lessee shall not sublease or permit the sublease or use of any Unit to service involving operation or maintenance outside the United States of America except that occasional service in Canada shall be permitted so long as such service in Canada does not involve regular operation and maintenance outside the United States of America; and provided, further, however, that any such sublease or use shall be consistent with the provisions of Section 16 hereof. No such assignment or sublease shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

Section 13. Purchase Option. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than nine months prior to the end of the term purchase all but not fewer than all of the Units then subject to this Lease, at a Fair Market Purchase Price payable in immediately available funds on the date this Lease expires with respect to each Unit.

Upon payment of the purchase price of any Unit, pursuant to an election by the Lessee to purchase the Unit, the Lessor shall upon request of the Lessee execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without warranties) for such Unit such as will transfer to the Lessee such title to such Unit as the Lessor derived from the Builder, free and clear of all liens, security interests and other encumbrances arising through the Lessor.

Fair Market Purchase Price shall be equal to the cash purchase price which would be obtained in an arm's-length transaction between an informed and willing purchaser and seller under no compulsion to buy or sell, and, in such determination, costs of removal from the location of current use shall not be a deduction from such purchase price. The Lessor and the Lessee shall attempt to agree upon the Fair Market Purchase Price of the Units.

If the Lessor and the Lessee cannot agree within 30 days after the Lessee's notice of election to purchase the Units, the Fair Market Purchase Price shall be determined by a qualified independent appraiser mutually satisfactory to the Lessor and the Lessee. If the Lessor and the

Lessee fail to agree upon a satisfactory independent appraiser within 10 days following the end of the 30-day period referred to above, the Lessor and the Lessee shall appoint a qualified independent appraiser within 10 days and such appraisers shall jointly determine the Fair Market Purchase Price. If either party shall fail to appoint an appraiser within such 10-day period, the determination of the Fair Market Purchase Price of the single appraiser appointed shall be final. If two appraisers shall be appointed and within 35 days after the appointment of the last of such two appraisers, such two appraisers cannot agree upon the Fair Market Purchase Price, such two appraisers shall, within 10 days, appoint a third appraiser and the Fair Market Purchase Price shall be determined by such three appraisers, who shall make their appraisals within 15 days following the appointment of the third appraiser and any determination so made shall be conclusive and binding upon the Lessor and the Lessee. If no such third appraiser is appointed within the 10 days specified therefor, either party may apply, to make such appointment, to the American Arbitration Association and both parties shall be bound by any appointment so made. If three appraisers shall be appointed and the determination of one appraiser is more disparate from the average of all three determinations than each of the other two determinations, then the determination of such appraiser shall be excluded, the remaining two determinations shall be averaged and such average shall be final and binding upon the Lessor and the Lessee. If no such determination is more disparate from the average of all three determinations than each of the other such determinations, then the average of all three determination shall be final and binding upon the Lessor and the Lessee. The appraisal procedure shall be conducted in accordance with the American Arbitration Association rules as in effect on the date hereof, except as modified hereby. The expenses of the appraisal procedure shall be borne by the Lessee.

Section 14. Return of Units Upon Expiration of Term. Unless the Lessee shall have purchased and paid for the Units, then as soon as practicable on or after the expiration of the term of this Lease with respect to any Unit, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon storage tracks of the Lessee at a location mutually agreeable to the Lessor and the Lessee or, in the absence of such mutual agreement, at a major maintenance terminal on the lines of the railroad as the Lessee may select, and permit the Lessor to store such Unit on such

tracks for a period not exceeding 90 days following notification to the Lessor by the Lessee that all the Units have been assembled and delivered for storage (the "Storage Period") and transport the same, at any time within the Storage Period, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, the movement, storage and insurance of such Units during the Storage Period to be at the expense and risk of the Lessee; and in the event that any Unit shall suffer a Casualty Occurrence during such Storage Period, the Lessee shall pay the Lessor the Casualty Value thereof as provided in Section 7 hereof; provided, however, that the Lessee shall have no obligation to pay the Lessor the Casualty Value for a Unit which suffers a Casualty Occurrence while being operated by the Lessor or its agents during the Storage Period. During such Storage Period the Lessee will permit the Lessor or any person designated by it, including the authorized representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence or strict liability of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, on behalf of either the Lessor or any prospective purchaser, lessee or user, such right of inspection. Each Unit returned to the Lessor pursuant to this Section 14 shall be in the condition required by the first paragraph of Section 7 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance thereof. During the period that the Units are being assembled and delivered for storage and during the Storage Period, the Lessee will, at its own expense, maintain and keep the Unit in the condition required by the first paragraph of Section 7 hereof. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day from the date of such termination an amount equal to the amount, if any, by which \$353 for each such day exceeds the actual earnings received by the Lessor with respect to such Unit for each such day.

Section 15. Recording. Prior to the delivery and acceptance of any Unit hereunder, the Lessee, at its own cost and expense, will cause this Lease and the CSA and any assignment hereof or thereof to be filed in accordance with 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (and notice of such deposit to be given forth in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. The Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's rights in the Units, or for the purpose of carrying out the intention of this Lease, the CSA and the assignments hereof and thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this Section 15, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor.

Section 16. Income Taxes. This Section 16 incorporates by reference in its entirety the Indemnity Agreement (as defined in the Participation Agreement).

Section 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, interest on the overdue rentals and other obligations for the period of time during which they are overdue at a rate equal to the higher of (i) 1.25 times the "prime" rate of interest as announced from time to time by Morgan Guaranty Trust Company of New York, and (ii) the Overdue Rate as defined in Article 4 of the CSA. Interest hereunder shall be determined on the basis of a 360-day year of twelve 30-day months.

Section 18. Notices. Any notice required or permitted hereunder shall be deemed to have been received by the addressee on the date of actual receipt (if such date is a business day, otherwise on the next business day), if transmitted by mail, telex, telecopy or similar transmission, or by hand, addressed as follows:

(a) if to the Lessor, at The Connecticut Bank and Trust Company, National Association, 1 Constitution Plaza, Hartford, Connecticut 06115, Attention of Corporate Trust Department, with a copy to Progress Leasing Corporation, c/o Xerox Credit Corporation, Two Pickwick Plaza, Greenwich, Connecticut 06836, Attention of Vice President-Finance/Administration; and

(b) if to the Lessee, at Consolidated Rail Corporation, 1310 Six Penn Center Plaza, Philadelphia, Pennsylvania 19104, Attention of Assistant Treasurer-Financing;

or at such other address as either party shall have designated to the other party in writing. Copies of each such notice shall be given to the Vendor at Mercantile-Safe Deposit and Trust Company, at 2 Hopkins Plaza, P.O. Box 2258, Baltimore, Maryland 21203 and to the Guarantor at its address set forth in the Participation Agreement.

Section 19. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease exclusively and completely states the rights and obligations of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

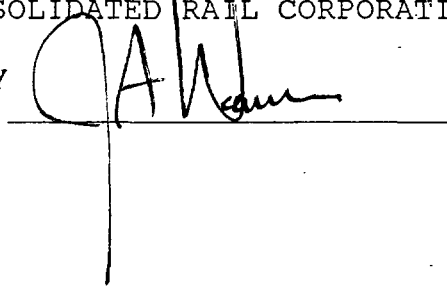
Section 20. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

Section 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed or deposited.

IN WITNESS WHEREOF, the parties hereto have executed, or caused to be executed, this instrument as of the date first above written.

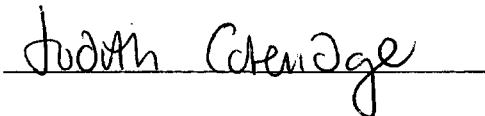
CONSOLIDATED RAIL CORPORATION,

by



[CORPORATE SEAL]

Attest:



THE CONNECTICUT BANK AND
TRUST COMPANY, NATIONAL
ASSOCIATION, not
individually but solely
as Trustee,

by

[SEAL]

Attest:

Section 21. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed or deposited.

IN WITNESS WHEREOF, the parties hereto have executed, or caused to be executed, this instrument as of the date first above written.

CONSOLIDATED RAIL CORPORATION,

by

[CORPORATE SEAL]

Attest:

THE CONNECTICUT BANK AND
TRUST COMPANY, NATIONAL
ASSOCIATION, not
individually but solely
as Trustee,

by

[SEAL]

Attest:

COMMONWEALTH OF PENNSYLVANIA,)
) ss:
COUNTY OF PHILADELPHIA,)

On this 27 TH day of MARCH , 1985, before me personally appeared J.A. WARNER , to me personally known, who, being by me duly sworn, says that he is the ASSISTANT TREASURER-FINANCING of CONSOLIDATED RAIL CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Rosemary C. Williams
Notary Public

[Notarial Seal]

My commission expires

Rosemary C. Williams
Notary Public, Phila., Phila. Co.
My Commission Expires May 2, 1987

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this day of , 1985, before me personally appeared , to me personally known, who, being by me duly sworn, says that he/she is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the seal of said national association and that said instrument was signed and sealed on behalf of said national association by authority of its Board of Directors, and he/she acknowledged that the execution of the foregoing instrument was the free act and deed of said national association.

Notary Public

[Notarial Seal]

COMMONWEALTH OF PENNSYLVANIA,)
) ss:
COUNTY OF PHILADELPHIA,)

On this day of , 1985, before
me personally appeared , to me
personally known, who, being by me duly sworn, says that he
is the of CONSOLIDATED
RAIL CORPORATION, that one of the seals affixed to the
foregoing instrument is the corporate seal of said
Corporation, and that said instrument was signed and sealed
on behalf of said Corporation by authority of its Board of
Directors, and he acknowledged that the execution of the
foregoing instrument was the free act and deed of said
Corporation.

Notary Public

[Notarial Seal]

My commission expires

STATE OF ~~CONNECTICUT~~ ^{New York},)
COUNTY OF ~~HARTFORD~~ ^{New York},) ss.:

On this 28 day of March , 1985, before
me personally appeared **DONALD E. SMITH** , to me
personally known, who, being by me duly sworn, says that
he/she is an Authorized Officer of THE CONNECTICUT BANK AND
TRUST COMPANY, NATIONAL ASSOCIATION, that one of the seals
affixed to the foregoing instrument is the seal of said
national association and that said instrument was signed and
sealed on behalf of said national association by authority
of its Board of Directors, and he/she acknowledged that the
execution of the foregoing instrument was the free act and
deed of said national association.

Caryn W. Sherman
Notary Public

[Notarial Seal]

CARYN W. SHERMAN
NOTARY PUBLIC, State of New York
No. 31-433331
Qualified in New York County
Commission Expires March 30, 1986

SCHEDULE A TO LEASE

<u>Type</u>	<u>Builder</u>	<u>Quantity</u>	<u>Estimated Base Price Per Unit</u>	<u>Lessee's Identification Numbers (Both Inclusive)</u>
Model C36-7, 3,600 h.p. diesel- electric locomotive	General Electric Company	25	\$1,300,000	CR 6620-6644

Casualty Value

The Casualty Value of any Unit as of any Rental Payment Date shall, subject to the provisions of the immediately succeeding paragraph of this Schedule B, be an amount equal to the percentage of the Purchase Price of such Unit set forth below opposite such Rental Payment Date.

<u>Rental Payment Dates</u>	<u>Casualty Value as a Percentage of Purchase Price Per Unit</u>
1/2/86 (Interim)	86.50930
7/2/86	86.50930
1/2/87	88.75149
7/2/87	88.36995
1/2/88	89.45877
7/2/88	88.66767
1/2/89	88.55346
7/2/89	87.29004
1/2/90	86.06683
7/2/90	84.24404
1/2/91	82.74633
7/2/91	80.29181
1/2/92	78.14313
7/2/92	75.54068
1/2/93	73.21110
7/2/93	70.45214
1/2/94	67.93339
7/2/94	65.00880
1/2/95	62.29204
7/2/95	59.19216
1/2/96	56.26791
7/2/96	52.98253
1/2/97	49.84065
7/2/97	46.35892
1/2/98	42.98860
7/2/98	39.29885
1/2/99	35.68713
7/2/99	31.77635
1/2/00	27.96772
7/2/00	23.93930
1/2/01	20.00000

The percentages set forth above have been computed without regard to recapture of the Investment Credit (as

defined in the Indemnity Agreement). Consequently, the Casualty Value of any Unit suffering a Casualty Occurrence on or before the first, second, third, fourth or fifth anniversary of the date of delivery and acceptance of such Unit shall be increased by an amount equal to the applicable percentage of the Purchase Price of such Unit set forth below and by an amount equal on an after-tax basis to any related interest and penalties payable by the Beneficiary.

<u>Anniversary of Delivery and Acceptance</u>	<u>Percentage of Purchase Price</u>
First	19.49318
Second	15.59454
Third	11.69591
Fourth	7.79727
Fifth	3.89864

SCHEDULE C TO LEASE

Certificate of Acceptance

To:

(the "Lessor")

I, the duly authorized representative for the Lessor and Consolidated Rail Corporation (the "Lessee") under the Lease of Railroad Equipment, dated as of January 15, 1985, do hereby certify that I inspected and accepted delivery thereunder of the following Units of Equipment:

TYPE OF EQUIPMENT: Diesel electric locomotive
MODEL: C36-7
DATE ACCEPTED:
NUMBER OF UNITS:
NUMBERED: CR
MANUFACTURER'S NUMBER:

I do further certify that the foregoing Units are in good order and condition, and appear to conform to the specifications, requirements and standards applicable thereto as provided in the Lease.

I do further certify that each of the foregoing Units has been marked upon each side of each such Unit in letters not less than one inch in height as follows:

"Ownership Subject to a Security Agreement filed with the Interstate Commerce Commission."

The execution of this Certificate will in no way relieve or decrease the responsibility of the Builder named below for any warranties it has made with respect to the Equipment.

Authorized Representative of
Trustee and Lessee

BUILDER:

General Electric Company

Estimated Delivery Dates and Settlement Dates

<u>Number of Units</u>	<u>Delivery Date</u>	<u>Settlement Date</u>
8	May 31, 1985	June 30, 1985
4	June 7, 1985	June 30, 1985
7	June 14, 1985	July 30, 1985
3	June 28, 1985	July 30, 1985
3	July 3, 1985	July 30, 1985